



Health Care District
OF PALM BEACH COUNTY

Community Health Center



WE CARE FOR ALL.

District Clinic Holdings, Inc.
**(A Component Unit of the Health Care District
of Palm Beach County, Florida)**

Financial Report and
Required Supplementary Information
September 30, 2025

Contents

Independent auditor's report	1-3
------------------------------	-----

Financial statements	
Statement of net position	4
Statement of revenues, expenses and changes in net position	5
Statement of cash flows	6
Notes to financial statements	7-20

Required supplementary information – unaudited	
Schedule of changes in the total OPEB liability and related ratios	21

Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	22-23
---	-------



RSM US LLP

Independent Auditor's Report

Board of Directors
District Clinic Holdings, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the District Clinic Holdings, Inc. (the Clinics), a component unit of the Health Care District of Palm Beach County, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Clinics, as of September 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Clinics, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the Clinics adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, as of October 1, 2024. As a result of the adoption, the Clinics restated beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clinic's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clinics' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clinics' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026, on our consideration of the Clinics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clinics' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinics' internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
March 9, 2026

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Statement of Net Position
September 30, 2025

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,174,652
Patient accounts receivable, net	1,748,994
Grant receivable	2,090,811
Prepaid expenses and other current assets	374,776
Total current assets	<u>5,389,233</u>
Noncurrent assets:	
Capital assets and right to use leased and SBITA assets:	
Depreciable capital assets, net of accumulated depreciation	5,316,410
Right to use leased and SBITA assets, net of accumulated amortization	8,105,098
Total noncurrent assets	<u>13,421,508</u>
Total assets	18,810,741
Deferred outflows of resources related to other post-employment benefit plan	<u>38,281</u>
Total assets and deferred outflows of resources	<u><u>\$ 18,849,022</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 590,122
Accrued salaries and benefits	1,516,087
Accrued interest payable	39,653
Unearned grant revenue	2,503
Current portion of accrued compensated absences	737,140
Current portion of estimated self-insured liability	3,755
Current portion of lease and SBITA payable	1,071,966
Total current liabilities	<u>3,961,226</u>
Noncurrent liabilities:	
Accrued compensated absences, less current portion	1,202,483
Estimated self-insured liability, less current portion	828
Lease and SBITA payable, less current portion	7,547,448
Other postemployment benefits liabilities	87,892
Total noncurrent liabilities	<u>8,838,651</u>
Total liabilities	12,799,877
Deferred inflows of resources related to other post-employment benefit plan	<u>59,187</u>
Total liabilities and deferred inflows of resources	<u>12,859,064</u>
Net Position	
Net investment in capital assets	4,802,094
Unrestricted	1,187,864
Total net position	<u>5,989,958</u>
Total net position, liabilities and deferred inflows of resources	<u><u>\$ 18,849,022</u></u>

See notes to financial statements.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year Ended September 30, 2025

<hr/>	
Operating revenues:	
Patient service revenue, net of provision for bad debts of \$6,423,464	\$ 13,797,840
Other operating revenues	241,346
Total operating revenues	<u>14,039,186</u>
Operating expenses:	
Medical services	31,773,021
Fiscal and general administrative services	13,456,095
Depreciation and amortization	1,846,819
Total operating expenses	<u>47,075,935</u>
Operating loss	<u>(33,036,749)</u>
Nonoperating revenues (expenses):	
Grant revenue	8,148,573
Loss on disposal of capital assets	(35,545)
Interest expense on leases and SBITA	(423,438)
Interest income	21,969
Total nonoperating revenues	<u>7,711,559</u>
Loss before District contributions	<u>(25,325,190)</u>
District contributions:	
Operating contributions	25,364,209
Capital contributions	491,727
Total District contributions	<u>25,855,936</u>
Change in net position	530,746
Net position, beginning of year, as restated (Note 11)	<u>5,459,212</u>
Net position, end of year	<u><u>\$ 5,989,958</u></u>

See notes to financial statements.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Statement of Cash Flows
Year Ended September 30, 2025

Cash flows from operating activities:	
Receipts from patients and third-party payors	\$ 14,408,391
Payments to employees	(32,117,145)
Payments to suppliers and service providers	(13,531,968)
Other receipts	241,346
Net cash used in operating activities	<u>(30,999,376)</u>
Cash flows from noncapital financing activities:	
Grants received	8,207,492
District operating contributions	25,364,209
Net cash provided by noncapital financing activities	<u>33,571,701</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	7,995
Interest payments on leases and SBITAs	(400,455)
Principal payments on leases and SBITAs	(1,027,182)
Interest income	21,969
Net cash used in capital and related financing activities	<u>(1,397,673)</u>
Net increase in cash and cash equivalents	1,174,652
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 1,174,652</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (33,036,749)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Provision for bad debts	6,187,335
Depreciation and amortization expense	1,846,819
Changes in assets and liabilities:	
Patient accounts receivable	(5,576,784)
Prepaid expenses and other current assets	(79,246)
Accounts payable	2,741
Accrued salaries and benefits	(346,111)
Accrued compensated absences	(6,711)
Estimated self-insured liability	632
Other postemployment benefits liabilities	9,459
Deferred inflows of resources	(7,666)
Deferred outflows of resources	6,905
Net cash used in operating activities	<u>\$ (30,999,376)</u>
Supplemental disclosure of noncash capital and related financing activities:	
Capital assets contributed at acquisition value	<u>491,727</u>

See notes to financial statements.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Organization: District Clinic Holdings, Inc., doing business as C.L. Brumback Primary Care Clinics (the Clinics), is a Florida, nonprofit corporation created on July 31, 2012, by the Health Care District of Palm Beach County, Florida (the District) for purposes of operating primary care, behavior health and dental clinics in Palm Beach County, Florida.

The Clinics' four initial locations in Belle Glade, Lantana/Lake Worth, Delray Beach and West Palm Beach were operated by the Florida Department of Health of Palm Beach County (the Health Department) until the operations were assumed by the District in June 2013. The Clinics later expanded their footprint to include ten locations and have expanded services, including dental services and behavior health services. Additional locations added included the Palm Beach Lakes High School Clinic (RAMS Clinic; 2014), Lewis Center (2015), Jerome Golden Center (2015), Lake Worth Clinic (2015), West Boca Raton (2017), Jupiter (2017), Mangonia Park (2019) and St. Ann Place (2021). The RAMS (2017) and Jerome Golden (2018) locations were later closed. Two mobile vans were purchased in 2020 to provide services during the COVID-19 pandemic and are currently being used to provide health care access to the homeless population. In 2025, the Lantana and Lake Worth locations were closed. The Clinics opened their flagship Atlantis location, marking a significant investment in expanded capacity, modernized facilities, and enhanced service delivery for the community.

The District receives federal grants from the Health Resources and Services Administration (HRSA) to operate the Clinics as Federally Qualified Health Center Primary Care Clinics. Federally Qualified Health Centers (FQHCs) include all organizations receiving grants under Section 330 of the Public Health Service Act (PHSA). FQHCs qualify for enhanced reimbursement from Medicare and Medicaid, as well as other benefits. FQHCs must serve an underserved area or population, offer a sliding fee scale, provide comprehensive services, have an ongoing quality assurance program and have a governing board of directors. The main purpose of the FQHC Program is to be a "safety net" provider and enhance the provision of primary care services in underserved urban and rural communities.

The governing board of the FQHC is legally responsible for ensuring that the FQHC complies with federal, state and local laws and regulations and is financially viable. The board must include a majority (at least 51%) of active, registered users of the FQHCs who are representative of the populations served by the center(s). The governing board ensures that the FQHCs are community based and responsive to the community's health care needs. The Clinics are governed by the District Clinic Holdings, Inc. Board of Directors who are responsible for administering and managing the operations of the FQHCs of the Clinics in accordance with Section 330 of the PHSA. The District's governing board retains fiscal and personnel policy authority for the Clinics. District Clinic Holdings, Inc. is an affiliate entity of the District. Therefore, the Clinics is considered a blended component unit of the District. The District was created by the Florida Legislature pursuant to Chapter 2003-326, Laws of Florida (the Health Care Act), and by the affirmative vote of the residents of Palm Beach County, Florida. The District's general purpose is to provide quality health care services in a comprehensive and efficient manner throughout Palm Beach County, as more fully set forth in the Health Care Act.

Basis of accounting: The Clinics uses proprietary fund accounting and follows all relevant pronouncements of the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recognized when incurred.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowances for contractual discounts and doubtful accounts. Actual results could differ from those estimates.

Cash and cash equivalents: All of the Clinics' operating accounts are pooled into a common interest-bearing account with the District, consisting of deposits with financial institutions. The Clinics considers cash, deposits with financial institutions and short-term investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Patient accounts receivable: Patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors and others for medical and dental services rendered. Throughout the year, management assesses the adequacy of the Clinics' estimates, including those related to bad debt and contractual discounts. The accounting policies related to the Clinics' overall determination of net patient accounts receivable are described in the paragraphs that follow.

Allowance for doubtful accounts: The Clinics' ability to collect outstanding receivables from patients, third-party payors and others is critical to its operating performance and cash flows. The primary collection risk lies with uninsured patient accounts or patient accounts for which a balance remains after government payors or primary insurance has paid. The Clinics' policy with respect to estimating its allowance for doubtful accounts is to reserve at rates that represent historical collections. The Clinics continually monitors its accounts receivable balances and utilizes cash collections data and other analysis to support the basis for its estimates of the allowance for doubtful accounts.

The Clinics does not pursue collection of amounts related to patients who qualify for charity care under its guidelines. As such, charity care accounts do not affect the allowance for doubtful accounts. Significant changes in the payor mix, business office operations or deterioration in aging accounts receivable could result in a significant increase in this allowance.

Allowance for contractual discounts: The Clinics estimates the allowance for contractual discounts on a payor-specific basis, given its interpretation of the applicable regulations or contract terms. It is additionally estimated based on management's assessment of historical collections, considering business and economic conditions, trends in health care coverage and other collection indicators. However, the services authorized and provided and the resulting reimbursement are often subject to interpretation. These interpretations sometimes result in payments that differ from the Clinics' estimates. Additionally, updated regulations and contract negotiations occur periodically, necessitating regular review and assessment of the estimation process.

As of September 30, 2025, the percentage of gross patient accounts receivable covered by Medicare & Medicaid, patients and insurance & others was approximately 28%, 44% and 28%, respectively.

Grant receivable: As of September 30, 2025, the Clinics had grant receivables of approximately \$2,091,000, of which, approximately 57% was due from HRSA.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are recorded at historical cost. Capital assets contributed by the District are recorded at the District's carrying value. Assets contributed by others are recorded at acquisition value on the date contributed. Capital assets include computer software, furniture, fixtures, equipment and right to use leased and Subscription Based Information Technology Arrangements (SBITAs) assets. The Clinics defines capital assets as assets with an initial cost of at least \$5,000 and an estimated useful life of one year or greater. Capital assets used in operations are depreciated over the estimated useful lives of the respective assets on a straight-line basis. Amortization expense of right to use leased and SBITA assets, is included in depreciation and amortization expense. Gains and losses on dispositions of capital assets are recorded in the period of disposal. The estimated useful lives for computer software range from 3 to 10 years and for furniture, fixtures and equipment range from 3 to 20 years and generally conform to those recommended by the American Hospital Association.

The Clinics evaluates capital assets regularly for impairment. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of the assets. An impairment charge is recorded on those assets or groups of assets for which the estimated fair value is below its carrying amount. The Clinics has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the year ended.

Leases: The Clinics is a lessee for noncancellable leases of equipment and building space. The Clinics recognizes a lease liability and an intangible right to use leased asset (lease asset) on the financial statements.

At the commencement of the lease, the Clinics initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Clinics determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Clinics uses estimated incremental borrowing rates, which is the estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Clinics is reasonably certain to exercise.

The Clinics is not a lessor in any transaction.

The Clinics monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease and SBITA assets are reported as right to use leased and SBITA assets on the statement of net position. The related liabilities are reported as lease and SBITA payables on the statement of net position.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Net position: The Clinics reports net position categories in accordance with GASB standards: Net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets consists of right to use assets and capital assets net of accumulated depreciation and amortization, reduced by the balance of any outstanding debt (including lease and SBITA payables) used to finance the purchase or construction of those assets. Restricted net position consists of assets that have constraints placed on them externally by creditors, grantors, contributors, regulations or imposed by law through constitutional provisions or enabling legislation, reduced by liabilities payable from those assets. The Clinics has no restricted net position for the year ended. Unrestricted net position consists of remaining assets/deferred outflows less liabilities/deferred inflows of resources that do not meet the definition of net investment in capital assets or restricted net position.

Restricted resources: When the Clinics has both restricted and unrestricted resources available to finance a particular program, it is the Clinics' policy to use the restricted resources before unrestricted resources. At year end, the Clinics reported no restricted resources.

Net patient service revenue: The Clinics serve patients whose medical costs are not paid at established rates. These include patients sponsored under government programs, such as Medicare and Medicaid, patients sponsored under private contractual agreements and uninsured patients who have limited ability to pay. Contractual discounts under third-party reimbursement programs represent the difference between the established rates for services and amounts reimbursed by third-party payors and are included as a reduction of patient service revenue. The Clinics present its provision for bad debts as a direct reduction of patient service revenue.

For the year ended September 30, 2025, the percentage of net patient service revenue covered by Medicare & Medicaid, patients and insurance & others was approximately 13%, 45% and 42%, respectively.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods when adjustments become known or as years are no longer subject to audits, reviews and investigations.

Net patient service revenue: The Clinics' gross patient charges, charity adjustments, provision for doubtful account, and contractual adjustments for the year ended, are as follows:

Patient service revenue:	
Medicare and Medicaid	\$ 5,845,760
Self-pay patients	20,594,131
Insurance and others	19,141,664
Total patient revenue before charity adjustment	<u>45,581,555</u>
Charity care adjustment	<u>(13,639,069)</u>
Total patient revenue	31,942,486
Contractual adjustment	(11,957,311)
Provision for doubtful accounts	<u>(6,187,335)</u>
Total net patient service revenue	<u><u>\$ 13,797,840</u></u>

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Medicare: Payments to the Clinics for Medicare patients changed to a prospective payment system (PPS) effective October 1, 2014, as mandated by the Affordable Care Act of 2010. The Centers for Medicare and Medicaid Services (CMS) established a base rate as of October 1, 2014 of \$158.85. A Geographic Adjustment Factor (GAF) is applied to the base rate based on where the services are provided. In addition, the GAF-adjusted rate may also be affected by additional adjustment factors, such as new patients. Generally, the Medicare PPS payment to the Clinics is equal to 80% of the lesser of the Clinics' charges or the PPS rate. The remaining 20% is the responsibility of the patient and/or the patients coinsurance. Effective January 1, 2025, the base rate was increased to \$202.65.

Medicaid: Services rendered to Medicaid beneficiaries are paid primarily based upon the Clinics' FQHC Medicaid encounter rate, adjusted effective October 1st of each year by percentage increases in the Medicare Economic Index.

Commercial providers: The Clinics also has reimbursement agreements with certain commercial insurance carriers and health maintenance organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates and capitation. Settlements are not expected to vary materially from the estimated amounts recorded in the accompanying financial statements.

Charity care: The Clinics' mission is to provide high quality, affordable health care to the greater Palm Beach County, Florida community. In pursuing its commitment to serve all members of the community, the Clinics provides services to the financially disadvantaged, despite the lack or adequacy of payment for its services. The Clinics maintains records to identify and report the level of charity care it provides to the community. These records include the amount of charges foregone for health care services and supplies furnished under the Clinics' charity care guidelines.

The Clinics provides care to patients who meet certain criteria under its charity care guidelines without charge or at amounts less than its established rates. Because the Clinics does not anticipate payment and does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. The cost of providing this care, determined by applying the Uniform Data System (UDS)-calculated cost per medical or dental visit times the number of applicable charity care visits, was approximately \$13,639,000 for the year ended.

Disproportionate share distributions: The Low-Income Pool (LIP) program is a federal matching program that provides the State with the opportunity to receive additional federal distributions based on a capped annual allotment, which is distributed by the State to participating health care providers for eligible services. Local governments, such as counties, hospital districts and the Florida Department of Health provide funding for the nonfederal share of the LIP distributions. Revenues from the LIP program are reported as net patient service revenue in the accompanying statements of revenues, expenses and changes in net position, net of the required quarterly assessments owed by the Clinics, which are accrued in the fiscal year for which the assessments are made. For the year ended September 30, 2025, the Clinics recorded revenues of approximately \$2,331,000 and there were no assessments. The receipt of future distributions is contingent upon the continued support of the program by the federal and state governments.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Incentive program revenues: During the year ended September 30, 2025, the Clinics recognized approximately \$228,000, which is reported within other operating revenues, as a result of a shared revenue saving incentive program with an insurance payor. The incentive payment was associated with patient activity from the calendar year ended December 31, 2024 and was calculated using a targeted medical loss ratio. The Clinics were not able to estimate the targeted medical loss ratio for the nine-month period ended September 30, 2025, and as a result, was not able to estimate the associated incentive payment to be received, if any. The shared revenue saving incentive program does not subject the Clinics to the potential to repay amounts already received from patient services.

Operating revenues and expenses: The Clinics' statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Clinics' principal activity. Nonexchange revenues, including interest income, grants, contributions and other unrestricted revenues are reported as non-operating revenues. Gifts, grants and contributions of capital assets or such amounts restricted by donors for the acquisition of capital assets are reported as capital contributions. Operating expenses include all expenses incurred to provide health care services, other than financing costs.

Grant revenue: Grant revenue is recorded when allowable expenses are incurred, and all applicable program eligibility requirements have been met. Grant funds received in advance of meeting all applicable requirements are reported as unearned grant revenue.

Compensated absences: The Clinics' employees earn paid time off (holiday, vacation, personal days, sick time and other absences) at varying rates depending on years of service and position. Employees accumulate hours of paid time off subject to certain limits. Upon termination, employees are paid for time off (except sick time) accrued but not used at their current rate of pay, subject to certain limits. In accordance with GASB Statement No. 101, *Compensated Absences*, accumulated time off is estimated and accrued as liabilities on the financial statements to the extent that it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. See Note 11 for further information on the implementation of GASB Statement No. 101.

Risk management: The Clinics is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters to the extent such claims are not covered by sovereign immunity. The Clinics is deemed covered under the Federal Tort Claims Act for professional liability claims (see Note 9). Settled claims have not exceeded the Clinics' commercial coverage over the past three years.

Recent accounting pronouncements: GASB Statement No. 101, *Compensated Absences* was issued in June 2022. The statement improves the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement were effective for the Clinics beginning October 1, 2024. See Note 11 for further information on the implementation of this GASB statement.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

GASB issued Statement No. 102, *Certain Risk Disclosures* was issued in December 2023. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, and require state and local governments to disclose information about concentrations and constraints that make them vulnerable to a significant adverse impact. The adoption of the statement in the current year did not have a material impact on the financial statements for the year ended.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024, and will be effective for the Clinics in fiscal year 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The Clinics has elected not to early implement the requirements of this statement early and is still evaluating the potential impacts.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024, and will be effective for the Clinics in fiscal year 2026. The objective of this statement is to provide the users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures required by GASB Statement No. 34, *Basic Financial Statements and Management Discussions and Analysis for State and Local Governments*. This statement also requires additional disclosures for capital assets held for sale. The Clinics has elected not to early implement the requirements of this statement early and is still evaluating the potential impacts.

GASB issued Statement No. 105, *Subsequent Events* was issued in December 2025, and will be effective for the Clinics in fiscal year 2027. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events, as well as outlines when such events should be disclosed. The Clinics has elected not to early implement the requirements of this statement early and is still evaluating the potential impacts.

Note 2. Cash and Cash Equivalents

The Clinics has pooled cash with the District's common interest-bearing concentration account, as well as maintains four separate bank accounts for the year ended. See the District's Annual Financial Report for disclosures relating to its interest rate risk, credit risk, custodial credit risk, concentration of credit risk and related fair value measurement disclosures required by GASB.

Note 3. Patient Accounts Receivable

Patient accounts receivable, reported as current assets by the Clinics at year-end consist of the following amounts:

Patient accounts receivable:	
Medicare and Medicaid	\$ 1,955,185
Self-pay patients	3,125,574
Insurance and others	1,971,042
Total patient accounts receivable	<u>7,051,801</u>
Less allowance for contractual discounts	(2,167,648)
Less allowance for doubtful accounts	(3,135,159)
Patient accounts receivable, net	<u><u>\$ 1,748,994</u></u>

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended follows:

	Balance October 1, 2024	Additions/ Transfers	Deletions Transfers	Balance September 30, 2025
Capital assets:				
Construction in progress (nondepreciable)	\$ 2,621,603	\$ 15,485	\$ (2,637,088)	\$ -
Furniture, fixtures and equipment	4,978,895	3,113,330	(189,495)	7,902,730
Total	7,600,498	3,128,815	(2,826,583)	7,902,730
Less accumulated depreciation:				
Furniture, fixtures and equipment	(2,102,749)	(629,522)	145,951	(2,586,320)
Capital assets, net	\$ 5,497,749	\$ 2,499,293	\$ (2,680,632)	\$ 5,316,410

Note 5. Right to Use and SBITA Assets and Liabilities

The Clinic is a lessee for various noncancellable leases for buildings with original terms of five and ten years and interest rates of 3.75% and 4.75% and has entered into SBITAs to use vendor-provided information technology intangible assets with original terms of 2 years and interest rates of 7.5%. The Clinics utilizes SBITAs to provide social and healthcare services to patients.

The Clinics entered into a lease agreement for a new building, the Atlantis Community Health Center, commencing October 1, 2024 with a lease term of 126 months in the amount of \$5,025,371 with an interest rate of 4.75%.

Right to use lease and SBITA assets activity for the year ended are summarized as follows:

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025
Right-to-use leased and SBITA assets:				
Building leased	\$ 5,465,178	\$ 5,025,371	\$ -	\$ 10,490,549
SBITA assets	194,407	260,275	(194,407)	260,275
Total right to use leased and SBITA assets	5,659,585	5,285,646	(194,407)	10,750,824
Less accumulated amortization for:				
Building leased	(1,435,001)	(1,123,966)	-	(2,558,967)
SBITA assets	(187,835)	(93,331)	194,407	(86,759)
Total accumulated amortization	(1,622,836)	(1,217,297)	194,407	(2,645,726)
Total right to use leased and SBITA assets, net	\$ 4,036,749	\$ 4,068,349	\$ -	\$ 8,105,098

Right to use lease and SBITA liabilities activity for the year ended are summarized as follows:

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025
Liabilities:				
Building leased	\$ 4,360,950	\$ 5,025,371	\$ (892,182)	\$ 8,494,139
SBITA	-	260,275	(135,000)	125,275
Total lease and SBITA payable	\$ 4,360,950	\$ 5,285,646	\$ (1,027,182)	\$ 8,619,414

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 5. Right to Use and SBITA Assets and Liabilities (Continued)

The future principal and interest payments due on the lease and SBITA liabilities are as follows:

	Principal	Interest	Total
Fiscal years ending September 30:			
2026	\$ 1,071,966	\$ 389,639	\$ 1,461,605
2027	898,098	337,377	1,235,475
2028	794,871	298,745	1,093,616
2029	863,417	259,511	1,122,928
2030	936,111	216,931	1,153,042
Thereafter	4,054,951	402,987	4,457,938
Totals	\$ 8,619,414	\$ 1,905,190	\$ 10,524,604

Note 6. Compensated Absences

Compensated absences liability activity for the year ended follows:

	Balance October 1, 2024**	Net Change	Balance September 30, 2025	Amount Due Within One Year
Compensated absences	\$ 1,946,334	\$ (6,711)	\$ 1,939,623	\$ 737,140

**The entity adopted the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, the beginning balance was restated as of October 1, 2024. See Note 11 for further information related to the restatement.

Note 7. Related Party Transactions

The Clinics' operations are financially dependent on the District. The Clinics received approximately \$25,364,000 in operating contributions and \$492,000 in capital contributions from the District in fiscal year 2025.

The Clinics reported approximately \$13,456,000 as fiscal and general administrative services expenses in the statement of revenues, expenses and changes in net position. The District allocated approximately \$10,223,000 of support department costs to the Clinics, including personnel, purchasing, information technology, legal and administrative costs that are included in the fiscal and general administrative services expenses total for the year ended.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 8. Retirement Plans

Defined contribution plan: In October 1990, the District established the Health Care District of Palm Beach County 401(a) Retirement Plan (the Plan), a defined contribution pension plan that covers employees of the District and its wholly owned affiliates, including the Clinics' employees not participating in the Florida Retirement System (FRS) Plan who are 18 years of age or older and have completed one year of service. The Plan is administered by Empower Retirement. For employees hired after September 30, 2012, the District contributes 4% for general employees, 5% for Associate Vice Presidents and 6% for Vice Presidents of eligible compensation to the Plan and also makes matching contributions equal to 100% of the participants' elective deferrals up to 4%, 5% and 6% of eligible compensation based on job title, as listed above. The District contributes 15% of eligible compensation for employees hired prior to October 1, 2012. Contribution rates and benefits of the Plan are established by and may be amended by the District Board. For the fiscal year ended September 30, 2025, the Clinics contributed \$1,188,000 to the Plan for its employees which is recorded within medical services expense in the statement of revenues, expenses and changes in net position. Employees who terminate after December 12, 2019, are fully vested after 3 years of service.

District deferred compensation plan: The District also established and provides its employees, including the Clinics' employees, with access to a 457(b) deferred compensation plan named the Health Care District of Palm Beach County Deferred Compensation 457(b) and Roth 457(b) plan. Under this plan, an employee is able to contribute pre-tax wage/salary dollars into the 457(b) account and/or post-tax wage and salary dollars into the Roth 457(b). The 457(b) Plan is administered by Empower Retirement. An employee can defer up to \$23,500 of eligible compensation annually or \$31,000 annually for aged 50+ or an additional \$11,250 for aged 60-63 for an annual maximum total of \$34,750. These limits are subject to change each year. No contributions are required of the District. Contribution rates and benefits of the 457(b) and Roth 457(b) Plan are established by and may be amended by the District Board. Employees contributed approximately \$1,084,000 to the 457(b) plan for the year ended September 30, 2025.

Note 9. Commitments and Contingencies

District and Health Department Master Agreement: The District entered into a Master Agreement with the Florida Department of Health of Palm Beach County (the Health Department), effective October 1, 2013, whereby the District assumed the financial, administrative and operational responsibility for providing adult and pediatric primary care services to patients formerly served by the Health Department through their FQHC locations in Palm Beach County. The agreement was extended through June 30, 2027.

Pursuant to the Master Agreement, the District operates the clinic locations and accounts for all operational activities through the Clinics. As of fiscal year end the Lantana/Lake Worth Health Center facility location is owned by Palm Beach County, and the West Palm Beach Health Center facility location is owned by the State of Florida. Both locations are utilized by the District without rent. The District pays the Health Department for common expenses incurred by the Health Department for the facilities based on the pro rata square footage used by the District and the Health Department. The total annual common expenses for the facilities paid by the District were approximately \$457,000 for the year ended September 30, 2025, including costs related to space for the District's pharmacy. The portion of the costs allocated to the Clinics was approximately \$411,000 for the year ended September 30, 2025.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 9. Commitments and Contingencies (Continued)

Professional and general liability claims: The Clinics is subject to risk of loss arising in the ordinary course of business, including claims for damages from medical malpractice, personal injuries, employment-related claims, breach of management contracts and wrongful restriction of or interference with physicians' staff privileges. In certain of these actions, plaintiffs may seek punitive or other damages against the Clinics, which are generally not covered by insurance. As a FQHC, the Clinics is deemed covered under the Federal Tort Claims Act (FTCA) for professional liability claims. Under the Act, health centers are considered Federal entities and are immune from lawsuits, with the Federal government acting as their primary insurer. FTCA coverage is comparable to an "occurrence" policy without a monetary cap.

The Clinics, with respect to general liability and breach of contract claims, are entitled to sovereign immunity under Florida law. For tort actions (with claims arising on or after October 1, 2011), *Florida Statutes, Section 768.28* has a limited waiver of sovereign immunity. Therefore, the District's liability for tort is limited to \$200,000 per claim and \$300,000 in the aggregate. Additionally, on June 1, 2015, the District obtained an umbrella liability policy for coverage in excess of the self-insured retention levels of \$500,000 for each incident or loss and \$850,000 in the aggregate. The District has insurance policies for employers liability, commercial property insurance and business automobile liability exposures. Judgments may be claimed or rendered in excess of the sovereign immunity limits; however, the District cannot be liable for such excess amounts unless the claim/judgment is presented to and approved by the Florida legislature (i.e., claims bill). The umbrella policy, with aggregate limits of \$10 million, only responds in the event a covered loss results in a claims bill that is approved by the Legislature, or the annual aggregate is met.

The Clinic's management, in consultation with legal counsel, believes all general liability claims are covered by insurance or limited under sovereign immunity and will not have any significant impact on the financial condition of the District in excess of the amounts accrued at September 30, 2025. At September 30, 2025 and 2024, the Clinics accrued approximately \$4,600 and \$4,000, respectively, for professional and general liability claims. No settlements exceeded insurance coverage during the past three fiscal years.

Grants and other federal funding: The grant and other federal funding revenues received or receivable by the Clinics are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already received, might constitute a liability of the Clinics for the return of those funds. Management believes that all grant expenditures were in compliance with the terms of the grant and applicable federal laws and regulations.

Compliance with laws and regulations: The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, anti-kickback and anti-referral laws, false claims prohibitions and Medicare and Medicaid fraud and abuse. In addition, as a government entity, the Clinics is also subject to the laws and regulations related to its tax exemption. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions that are unknown or unasserted at this time. Violations of these laws and regulations could result in significant fines and penalties, including repayments for patient services previously reimbursed. Management believes that the Clinics has generally complied with applicable laws and regulations that could have a material impact on the financial statements of the Clinics and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing or noncompliance.

**District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)**

Notes to Financial Statements

Note 10. Other Postemployment Benefits

The Clinics follow GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for financial reporting and disclosure for its other postemployment benefits plan (OPEB Plan).

Plan description: The Clinics participates in the District's single-employer OPEB Plan that provides health care benefits to eligible retired employees and their spouses and/or beneficiaries. The District Board has the authority to establish and amend the premiums for and the benefit provisions of the OPEB Plan. The OPEB Plan is financed on a "pay as you go" basis and is not administered as a formal qualifying trust. The OPEB Plan does not issue a stand-alone publicly available financial report.

Funding policy: The Clinics is required by Florida Statutes, Section 112.0801 to allow retirees to buy health care coverage at the same group insurance rates that current employees are charged, resulting in an implicit health care benefit. Florida law prohibits the OPEB Plan from separately rating retirees and active employees. The OPEB Plan therefore charges both groups an equal, blended rate premium for health insurance. Although both groups are charged the same blended rate premium, GAAP requires the actuarial liability to be calculated using age-adjusted premiums approximating claim costs for retirees separately from active employees. The use of age-adjusted premiums results in the addition of the implicit rate subsidy into the actuarial accrued liability. Plan members receiving benefits contribute 100% of the monthly medical premium, which currently ranges from a minimum of \$850 to a maximum of \$2,609.

District employees covered by benefit terms: At October 1, 2023, there were four retirees and 799 active plan members covered by the benefit terms for the overall District.

Total OPEB Liability: The Clinics' allocated proportionate share of the District's total OPEB liability was approximately \$88,000 for the year ended September 30, 2025. The September 30, 2025 total OPEB liability was measured based on an actuarial valuation as of October 1, 2023.

The total OPEB liability was determined based on an October 1, 2023 actuarial valuation and was rolled forward to the measurement date. The liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3%
Discount rate	4.5%, the discount rate used to measure the total OPEB liability was based on a 20-year AA/Aa tax-exempt municipal bond yield as of the measurement date
Healthcare cost trend rates	7.25% in 2023-2024, 7.50% in 2024-2025 graded down to 4.5% by 0.25% per year
Mortality	Pub-2010 Headcount weighted mortality table for general, public employer, annuitant and non-annuitant, sex distinct with 2024 IRS adjusted MP-2021

Change in assumptions: The discount rate was increased to 4.50% from 4.06% at September 30, 2024. In addition, the initial healthcare cost trend rate increased by 25 basis points.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

The following provides the changes to the total OPEB liability for the year ended:

Beginning balance	\$ 78,433
Service cost	9,471
Interest	3,507
Changes of assumptions	(1,980)
Implicit benefit payments	(1,539)
Net changes	9,459
Ending balance	\$ 87,892

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Clinics, as well as what the Clinics' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate for the year ended September 30, 2025:

	Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 94,786	\$ 87,892	\$ 81,845

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Clinics, as well as what the Clinics' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for the year ended September 30, 2025:

	Trend Rate		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 80,355	\$ 87,892	\$ 96,389

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The Clinics recognized OPEB expense of \$10,237 for the year ended September 30, 2025. At September 30, 2025, the Clinics reported deferred inflows and outflows of resources for changes in assumptions and experience losses of \$59,187 and \$38,281, respectively, related to the OPEB plan.

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

Amounts reported as deferred inflows and outflows of resources related to the OPEB plan will be recognized in OPEB expenses on a straight-line basis as follows:

	<u>Amount</u>
Fiscal years ending September 30:	
2026	\$ (2,741)
2027	(2,746)
2028	(2,727)
2029	(2,767)
2030	(4,713)
Thereafter	(5,212)
	<u>\$ (20,906)</u>

Note 11. Restatement – Implementation of GASB Statement No. 101, *Compensated Absences*

Effective October 1, 2024, the Clinics implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences and requires that liabilities for compensated absences be recognized for: (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. The implementation increased beginning compensated absences liability and decreased the beginning net position as shown below:

	<u>Compensated Absences</u>	<u>Net Position</u>
Balance October 1, 2024, as previously reported	\$ 1,458,692	\$ 5,946,854
Change to implement GASB 101	487,642	(487,642)
Balance October 1, 2024, as restated	<u>\$ 1,946,334</u>	<u>\$ 5,459,212</u>

**Required Supplementary Information
Unaudited**

District Clinic Holdings, Inc.
(A Component Unit of the Health Care District of Palm Beach County, Florida)

Required Supplementary Information
Other Post-Employment Benefits
Schedule of Changes in the Total OPEB Liability and Related Ratios – Unaudited

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 9,471	\$ 10,976	\$ 11,523	\$ 10,599	\$ 11,313	\$ 5,416	\$ 5,466	\$ 15,463
Interest	3,507	5,487	4,834	2,051	1,612	1,467	1,243	956
Difference between expected and actual experience	-	(45,464)	-	40,794	-	14,971	-	-
Changes of assumptions	(1,980)	5,755	(877)	(35,161)	(1,994)	7,065	481	(681)
Implicit benefit payments	(1,539)	(3,617)	(2,258)	(1,126)	(481)	(315)	(146)	(53)
Net change in total OPEB liability	9,459	(26,863)	13,222	17,157	10,450	28,604	7,044	15,685
Total OPEB liability – beginning	78,433	105,296	92,074	74,917	64,467	35,863	28,819	13,134
Total OPEB liability – ending	\$ 87,892	\$ 78,433	\$ 105,296	\$ 92,074	\$ 74,917	\$ 64,467	\$ 35,863	\$ 28,819
Covered payroll	\$ 23,214,000	\$ 22,245,000	\$ 20,924,000	\$ 19,068,000	\$ 18,142,000	\$ 15,960,000	\$ 15,511,000	\$ 14,665,000
Clinics total liability as a percentage of covered payroll	0.38%	0.35%	0.50%	0.48%	0.41%	0.40%	0.23%	0.20%
Measurement date	09/30/2025	09/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018

Notes to schedule:

(1) Assumption changes since prior valuation:

- Trend rate increased by 25 basis points before trending down 25 basis points per year
- Discount rate increased from 4.06% to 4.50%

(2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available will be presented.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

Board of Directors
District Clinic Holdings, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of District Clinic Holdings, Inc. (the Clinics), a component unit of the Health Care District of Palm Beach County, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements which collectively comprise the Clinics' basic financial statements, and have issued our report thereon dated March 9, 2026. Our report included an emphasis of matter paragraph for the adoption of Government Accounting Standards Board Statement No. 101, *Compensated Absences*, effective October 1, 2024. Our report is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clinics' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinics' internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinics' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinics' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clinics' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinics' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
March 9, 2026



Health Care District

OF PALM BEACH COUNTY

WE CARE FOR ALL

Financial report prepared by the Finance Department
of the Health Care District of Palm Beach County

1515 N. Flagler Dr., Suite 101
West Palm Beach, FL 33401-3429
561-659-1270
www.hcdpbc.org